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HARVEY'S FOODS LIMITED ANNUAL REPORT

For the year ended March 31, 1966



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HARVEY'S FOODS LIMITED

HEAD OFFICE

238 Bloor Street West
Toronto 5, Ontario

BANKERS

The Royal Bank of Canada

TRANSFER AGENT &

REGISTRAR

The Canada Trust Company
Toronto, Ontario

AUDITORS

McDonald, Currie & Co.
Chartered Accountants

Directors

RICHARD CHARLES WILFRED MAURAN

GEORGE BERNARD SUKORNYK

DONALD COLIN WEBSTER

YVES-CHARLES HUDON

WILLIAM P. ROSS

MARC ANDRÉ BOISCLAIR

DAVID STEWART OWEN

Executive Officers

RICHARD CHARLES WILFRED MAURAN
CHAIRMAN OF THE BOARD

GEORGE BERNARD SUKORNYK
PRESIDENT

DONALD COLIN WEBSTER
VICE-PRESIDENT

EDWARD JOHN KOZAK
SECRETARY-TREASURER



RICHARD C. W. MAURAN
CHAIRMAN OF THE BOARD

GEORGE B. SUKORNYK
PRESIDENT

DONALD C. WEBSTER
VICE-PRESIDENT



Message from the President

During the past year your Company showed substantial growth in terms of sales and earnings. This increase is attributable to continued consumer acceptance of not only the Company's products but of the "Harvey's" image.

The net earnings for the year amounted to \$176,292.00 or 39¢ cents per share (March 31, 1966) as compared to \$51,796.00 or 13¢ per share (March 31, 1965). In previous years net income included deferred profits on sales of franchises which were secured by chattel mortgages and notes receivable. Your directors feel that all income should now be referred to as net income and that although your Company has suffered no losses to date, a 30% provision of the amount of outstanding chattel mortgages and notes receivable has been set aside to cover possible losses on collections and termination of franchise agreements.

There were twenty-two restaurants in operation as of March 31, 1966 compared to fourteen restaurants as of March 31, 1965. Two locations opened in April and three additional locations should open for business in July 1966, for a total of twenty-seven restaurants. Construction on eight more locations should commence as soon as building permits have been issued.

Our representation in Toronto now stands at

thirteen, whereas in Montreal the present five locations will soon be increased to nine. It is hoped that twelve locations will be open in Montreal by the time Expo begins in 1967.

It is again our continued policy of owning as many of our land sites as possible. Of the thirty-five locations which will be in operation by March 1967, twenty-eight will be company owned, four leased with firm options to purchase and three leased without options to purchase. All leases originally ran for not less than twenty years. Your directors are aware that straight lease situations (without options to repurchase lands) would accelerate your Company's growth with an equally reduced burden to find sufficient funds required for capital expansion. In fact numerous straight leases are offered weekly and repeatedly turned down unless repurchase privileges are granted to the Company. Most prospective lessors however are reluctant to grant options to repurchase. Your directors similarly feel that straight lease situations, although deceptively attractive, still burdens the company with a long term fixed liability, whether its use by the company is successful or not. Hence our policy of land ownership or at least an option to purchase leased property. A Toronto location was recently purchased under the option contained in the Company's lease at a price established three years ago. The price paid was 30% less than prices for equal properties in the area.

This year marks the Company's first venture in radio advertising. A commercial was prepared and aired over two Toronto stations and one Hamilton station continuously since February 15, 1966. Acceptance was immediate as shown by substantial increases in sales. Sufficient data was gathered to merit advertising in Ottawa, Montreal, Niagara Falls and Buffalo, where no commercials were purposely aired in order to compare sales. All costs of radio time, apart from initial commercial preparation costs, are borne co-operatively by the franchise operators.

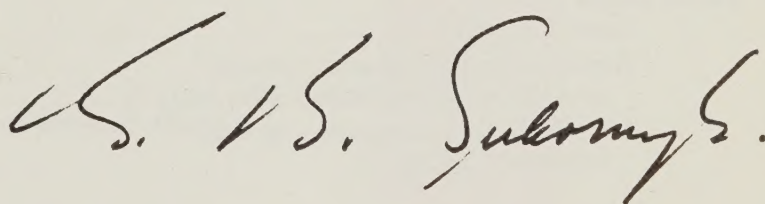
In keeping with our policy of merchandising only high quality food, the Company was recently forced to raise the consumer price of its three basic products. This was the first increase since the Company was founded despite the fact that the cost of basic food materials increased 40%. It is hoped that the substantial volume of raw materials contracted by the Company for all franchise operators will keep these costs at a constant level. It must be noted that this increase in consumer cost was received without complaint bearing in mind that some 80,000 automobiles drive on our lots weekly in Toronto alone.

Your company continues to closely supervise quality of all food sold and inspect each of its restaurants weekly as to service and cleanliness. Our Montreal and Ottawa inspector Mr. Claude Drolet now represents us out of Montreal and Mr.

Donald Pilon supervises Toronto, Hamilton, Niagara Falls and Buffalo. We are also pleased to announce the appointment of Edward J. Kozak as General Manager. He brings to your company a wealth of experience in the restaurant equipment and construction field and will be directly responsible for new construction, ordering and installation of equipment, training of prospective franchise operators, supervising inspectors and assisting in choosing locations. Additional inspectors will be employed and trained when required.

The members of the Board of Directors take this opportunity to thank its increasing number of franchise operators for their continued co-operation and acknowledge their contribution to the results of the year.

We believe that your Company will continue to prosper and look to the future with confidence.

A handwritten signature in dark ink, appearing to read "C. S. Sukumy". The signature is fluid and cursive, with a large initial "C" and "S".

Submitted on behalf of The Board of Directors.



ASSETS

	1966	1965
Current Assets		
Cash (note 1)	\$ 7,714	\$ 31,863
Due from associated company	9,898	—
Accounts receivable	39,540	46,455
Chattel mortgages and notes receivable — current portion	41,409	38,091
Unpaid share subscriptions (note 8)	17,521	—
Prepaid expenses	5,204	3,357
	<u>121,286</u>	<u>119,766</u>
 Chattel Mortgages and Notes Receivable (note 2)	486,012	274,016
Less — Provision (note 2)	138,425	—
	<u>347,587</u>	<u>274,016</u>
Less — Current portion	41,409	38,091
	<u>306,178</u>	<u>235,925</u>
 Fixed Assets		
Land — at cost	957,450	567,997
Buildings and equipment — at cost		
less accumulated depreciation (note 3)	1,126,675	629,780
Leasehold improvements — at cost		
less amortization	69,054	27,529
	<u>2,153,179</u>	<u>1,225,306</u>
 Deferred Charges — at cost less amortization		
Incorporation and share issue expense	13,679	15,231
Debt discount expense	34,393	28,481
	<u>48,072</u>	<u>43,712</u>
	<u><u>\$2,628,715</u></u>	<u><u>\$1,624,709</u></u>

Approved on behalf of the board: G. B. Sukornyk, Director
R. C. W. Mauran, Director

HARVEY'S FOODS LIMITED

BALANCE SHEET — MARCH 31, 1966

LIABILITIES

Current Liabilities

Bank loan (secured)	\$ 146,000	\$ 48,000
Accounts payable and accrued charges	46,779	16,683
Income taxes payable	66,000	8,224
Long term liabilities — current portion	110,783	81,146

369,562 154,053

Long Term Liabilities

Mortgages payable (note 4)	1,098,614	662,873
Accounts payable	107,832	90,539

1,206,446 753,412
110,783 81,146

Buildings under construction (note 5)	1,095,663	672,266
7% Sinking Fund Debenture, Series A (note 6)	48,873	79,356
	100,000	100,000

1,244,536 851,622

Deferred Profits on Sale of Franchises — 177,433

Deferred Income Taxes (note 7) 175,743 22,649

SHAREHOLDERS' EQUITY

Capital Stock (note 8)

Authorized

14,060, 6% non-voting, non-cumulative redeemable preference shares,
of \$10 each
1,000,000 common shares without par value

Issued and Fully Paid

4,610 preference shares	46,100	50,500
453,225 common shares	490,153	293,703

536,253 344,203

Contributed Surplus 1,500 1,500

Retained Earnings 301,121 73,249

838,874 418,952

\$2,628,715 \$1,624,709



HARVEY'S FOODS LIMITED
STATEMENT OF EARNINGS
 FOR THE YEAR ENDED MARCH 31, 1966

	1966	1965
Gross Income	\$660,435	\$231,369
Earnings — before charging the following	562,896	163,593
Provision for losses on collection and termination of franchise agreements	74,045	—
Depreciation	52,745	22,285
Amortization of debt discount and expense	8,475	1,233
Amortization of incorporation and issue expense	1,552	1,552
Interest	77,780	50,079
Directors' remuneration	600	—
	215,197	75,149
Net Earnings Before Income Taxes	347,699	88,444
Provision for Income Taxes		
Current	77,100	13,999
Deferred (note 7)	94,307	22,649
	171,407	36,648
Net Earnings for the Year (note 9)	\$176,292	\$ 51,796
Earnings Per Share	39¢	13¢

STATEMENT OF RETAINED EARNINGS
 FOR THE YEAR ENDED MARCH 31, 1966

	1966	1965
Balance, Beginning of Year	\$ 73,249	\$ 23,805
Profit on sale of franchises deferred in previous years (note 9)	54,266	—
Net earnings for the year (note 9)	176,292	51,796
	303,807	75,601
Dividends paid on preference shares	2,686	2,352
Balance, End of Year	\$301,121	\$ 73,249

HARVEY'S FOODS LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED MARCH 31, 1966

	1966	1965
Source of Funds		
Net earnings for the year	\$ 176,292	\$ 51,796
Add: Charges not requiring a cash outlay –		
Depreciation and amortization	62,772	25,070
Deferred income taxes	94,307	22,649
	<u>333,371</u>	<u>99,515</u>
Proceeds from issue of preference and common shares	196,450	324,600
Increase in long term liabilities – net	392,914	488,191
Issue of share purchase warrants	—	1,500
Increase in deferred profits on sale of franchises	—	142,070
	<u>\$ 922,735</u>	<u>\$1,055,876</u>
Use of Funds		
Additions to fixed assets – net	980,618	841,577
Increase in share and debt issue expenses	14,387	37,147
Redemption of preference shares	4,400	4,400
Dividends	2,686	2,352
Increase in mortgages and notes receivable	134,633	129,699
	<u>1,136,724</u>	<u>1,015,175</u>
Increase (Decrease) in Working Capital	<u>(\$ 213,989)</u>	<u>\$ 40,701</u>
Working Capital at Beginning of Year	(34,287)	(74,988)
Increase (Decrease) in working capital	(213,989)	40,701
Working Capital at End of Year (note 1)	<u>(\$ 248,276)</u>	<u>(\$ 34,287)</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Harvey's Foods Limited as at March 31, 1966 and the statements of earnings, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings, retained earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the financial position of the company as at March 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting for profits on the sale of franchises as referred to in note 9 with which we concur.

June 30, 1966
Toronto, Canada

McDONALD, CURRIE & CO.
Chartered Accountants

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1966

1. Long Term Financing

On May 5th, 1966 an offering was made to the existing shareholders of the Company to subscribe for \$300,000 of 7% convertible sinking fund debentures Series B. Certain directors have undertaken to underwrite any balance not subscribed.

2. Chattel Mortgages and Notes Receivable

- The chattel mortgages and notes receivable represent the balances due from franchise operators in respect of the purchase of franchise rights. These mortgages and notes are amortized over a 5 to 10 year period by monthly repayments of principal and interest at 7% per annum.
- A provision of 30% of the amount outstanding has been made to cover possible losses on collection and termination of franchise agreements. The Company has experienced no losses to date.
- Certain chattel mortgages and notes receivable are pledged as collateral security for the bank loan.

3. Fixed Assets

- Buildings, equipment and related depreciation reserves is made up of the following:

	1966		1965	
	Cost	Accumulated Depreciation	Net	Net
Buildings	\$ 832,038	\$45,862	\$ 786,176	\$445,701
Parking Lots	73,165	5,052	68,113	58,806
Equipment	311,490	39,104	272,386	125,273
	<u>\$1,216,693</u>	<u>\$90,018</u>	<u>\$1,126,675</u>	<u>\$629,780</u>

- The following rates of depreciation are used by the Company:

Buildings	5% reducing balance
Parking Lots	4% reducing balance
Equipment	10% reducing balance
Leasehold Improvements	5% straight line

4. Mortgages Payable

	Due within five years	Due within ten years	Due after ten years	Total
First mortgages				
6 1/2% to 9.2% . . .	\$437,731	\$286,633	\$207,663	\$ 932,027
Second mortgages				
7% to 12%	75,490	15,934	8,810	100,234
Third mortgages				
6 1/2% to 7%	15,304	14,188	36,861	66,353
	<u>\$528,525</u>	<u>\$316,755</u>	<u>\$253,334</u>	<u>\$1,098,614</u>

5. Buildings Under Construction

- It is the Company's practice to obtain long term mortgages on buildings after completion, and for this reason the amount owing of \$48,873 in this respect is classified under long term liabilities.
- At March 31, 1966, the Company is further committed under construction contracts to the extent of approximately \$330,000.

6. 7% Sinking Fund Debentures, Series A

These debentures mature on April 15, 1974, and are redeemable at the principal amount thereof plus a premium of 7% on or before April 15, 1967 and thereafter the said premium reduces by 1% for each year commenced or elapsed after April 15, 1967.

By the terms of the Debenture Trust Deed the Company is required to establish a sinking fund sufficient to retire \$10,000 principal annually on April 15, 1967 to 1973 inclusive.

7. Deferred Income Taxes

Deferred Income Taxes arise from (a) claiming depreciation and amortization for income tax purposes in excess of that recorded in the accounts of the Company and (b) taking into income the total profit on the sale of franchises in the year in which sold whereas for income tax purposes these profits are computed as cash is received in settlement. The effect of the above is to reduce the income taxes payable in respect of the year by \$94,307 which together with similar amounts arising in earlier years amount in total to \$175,743. These taxes may be payable in future years when income for tax purposes is more than that recorded in the accounts.

8. Capital Stock

- During the year the Company issued 50,000 common shares in consideration of \$190,000 (\$3.80 per share) in cash, of which \$17,521 remained unpaid at March 31, 1966. This amount is payable within one year by employees and franchise operators. In addition 3,225 common share purchase warrants were exercised during the year at \$2.00 per share.
- Of the 100,000 share purchase warrants issued, 96,775 remained unexercised at March 31, 1966. These warrants entitle the holders thereof to purchase common shares at \$2.00 per share on or before April 15, 1969 or thereafter at \$4.00 per share on or before April 15, 1974.
- During the year 440 6% non-voting non-cumulative preference shares of \$10 each were redeemed at par and cancelled.

9. Profits on Sale of Franchises

- During the year the Company changed its method of accounting for profits on the sale of franchises by taking into income in the year of sale the full amount of the profit on sale, less a provision for possible losses on collection and termination of franchise agreements amounting to \$74,045. In prior years the profit on sale was taken into income only to the extent that cash was received in settlement. The effect of this change is that the net earnings for the year is \$67,820 higher than it otherwise would have been.
- Consequent to the above change, deferred profits on sale of franchises at March 31, 1965 less a provision for possible losses on collection and termination of franchise agreements have been credited direct to retained earnings in the amount of \$54,266. This is after providing \$58,787 for deferred income taxes.

10. Leases

The Company holds leases of 20 to 25 years' duration on five properties at a net annual rental of approximately \$45,300, each of which is sublet to a franchise operator. The Company has the option to purchase two of these properties.



A TYPICAL HARVEY'S DRIVE-IN LOCATION

THE OPERATIONS OF

HARVEY'S FOODS LIMITED

History:

Harvey's system of self-service drive-in restaurants was originated in May 1959. It was felt that the expanding economy, more leisure time and increased spending by consumers would enhance a business which could efficiently service this growing travelling market. Prior to 1959 only one drive-in restaurant was in operation in Toronto offering curb-service. In the United States at that time two of the larger chains had already established 2400 and 228 drive-in locations respectively. However, both chains differed remarkably as to service; the larger one offered curb-service and the other a self-service system. Today both chains have grown to 3500 and 738 locations.

Harvey's in many respects employs systems and controls commonly used by most chain operated restaurants. For example a self-service type of operation was adopted to illiminate the need of a large staff. All Harvey's locations use a standard menu limited to hamburgers, hot-dogs, french-fried potatoes, milk shakes, several soft drinks, milk, coffee and hot chocolate in season. Food preparation and serving is prescribed in detail and inspected by the Company which results in a high degree of quality and control throughout the system. There are many adaptations unique to Harvey's such as (a) the use of charcoal to cook its food even though more expensive than conventional methods because it renders fat, enhances flavour and results in a better tasting product, and (b) in addition to the usual condoments, fresh vegetables are used in garnishing and preparation. Harvey's (founded by Canadians) is now the largest self-service chain of drive-in restaurants in Canada. Harvey's Foods Limited went to the public on April 15th, 1964.

Franchise and Leasing

The Company has at the outset adopted a policy of land ownership rather than favouring lease-back situations. The directors are aware that straight leases would accelerate the Company's growth and the need for capital funds for expansion would be reduced. The rapid growth of larger United States chains is due primarily to their policy of leasing. A close examination was made to determine the effect of leasing of one such United States company in business more than 30 years. It was evident that many prime locations were being lost annually because the purchase or re-leasing of these properties became prohibitive. All Harvey's locations are situated on prime locations and of the 35 locations which will be in operation by March 1967, 28 will be Company owned, four leased with firm options to purchase and 3 leased without options to purchase.

A complete unit, consisting of building, equipment and paved lot is leased to an operator for 20 years on a net-net basis. The operator is also granted a 20 year franchise to carry on business under the Harvey's system. Cancellation of the franchise by the Company automatically terminates the lease. The operator has the privilege of selling his franchise provided the Company approves the purchaser and his training.

The cost of a Harvey's drive-in is \$35,000.00 with \$10,000.00 paid as a deposit and the balance is amortized and payable in equal monthly installments over a period of 10 years with

interest at 7%. The cost of a sit-down operation (where stools are provided) is \$45,000.00 with \$15,000.00 paid as a deposit. Upon the granting of a franchise, the prospective operator is trained to operate his own business in accordance with his franchise agreement. He is thoroughly schooled by on the job training for a period of from 2 to 4 weeks, prior to taking possession of his location. The Company provides him with trained personnel and an inspector who gives the operator continuing assistance when needed for an additional period of about 4 weeks. The Company through its inspectors, controls and supervises quality, cleanliness, service and presentation of products in order to maintain the highest possible standards. These controls consist of inventory reports, food cost reports and cash register audit tapes all submitted weekly by the operator. Monthly inventory reports and audited profit and loss statements are also submitted. The Company has in the interim received from suppliers duplicate purchases made by each operator. The Company then compares actual and reported inventory with actual and reported gross sales. All results are recorded on a master chart on a weekly and yearly comparison basis, thereby giving a quick visual check for any fluctuations. It is possible to spot thefts of as little as 1/10 of 1% of weekly gross sales. The operator is also instructed on how to adapt similar controls on a daily or even hourly basis if necessary. As the operator becomes more proficient he need only spend as little as 30 hours a week operating his location.

Operator

Prospective franchise operators are carefully chosen paying particular attention to age, marital status and previous employment. In many cases candidates have submitted themselves to psychological tests to determine their suitability to the restaurant business. Restaurant experience is definitely not a prerequisite to success. Financial investigations are carried out to determine credit rating and stability. The Company has always enjoyed a waiting list of individuals who prefer to be in business with the knowledge that they are part of a larger organization that provides constant supervision and assistance.

Product

The Company has spent considerable time with each of its major suppliers to obtain the best product available taking into consideration quality, control and service. The importance of meat to our business led to the use of 2 separate controls. Normally meat is mixed and seasoned by the supplier. The Company soon learned that there was no easy way to control a product which depended on the whims of the supplier or his employees. A federally inspected spice house was employed in 1960 to prepare a Harvey's formula mix. This presented many problems as cooking on charcoal required the finest of balance of ingredients. A slight variation would result in abnormal shrinkage or conversely, would disintegrate on the grill and become unmanageable. The formula is shipped in bulk to the Company's meat supplier where the final product is prepared according to Harvey's specifications. This plant is also federally inspected to ensure that the product is distinctively Harvey's. All milk products are federally inspected. The milk shake used is prepared by special formula and rigidly controlled in the various dairies where it is manufactured. Hamburger and hot-dog buns are also prepared with the same care. The

basic Harvey's formula was developed in the form of a flour mix, which is shipped to various bakeries. These quality buns took many years to develop and require close supervision by the manufacturer. They are wrapped in convenient quantities and shipped almost daily to ensure freshness. In addition to the above products, cups, paper products, coffee, etc. are all contracted as to price on a national basis F.O.B. location. A uniform food cost has therefore been established which varies only slightly depending on the fluctuating cost of fresh vegetables. Each supplier forwards duplicate reports of purchases made by each operator.

Buildings, Equipment, and Signs

The Company has developed a simple building design which should remain in style for many years. Contrary to the building designs of many competitors, a Harvey's location could be operated if necessary with minimal staff. This is achieved by merging the kitchen area with the serving area. Such an arrangement allows the consumer to watch the food being prepared and at the same time make him aware of cleanliness. The best available building materials are used such as quarry-tile floors, glazed brick and block, fire proof cedar ceilings, ceramic tile, stainless steel, copper roofs, etc. The result is a building which can be kept clean and tidy with a minimum of effort and maintenance. A major part of our equipment was designed and developed by the Company. The Company's pylon and fascia signs have also been developed over the years incorporating the use of fused plastic embossed letters to greatly improve their appearance.

Property Investigation

The Company uses a 33 point check list to evaluate the many locations submitted for its consideration. This list involves in part, week long pedestrian and automobile counts, a three mile radius, residential, commercial and factory evaluation and such finer details as religious and ethnic backgrounds to determine consumer acceptance, employee pool and financial commitments. All property investigations, evaluations, rezoning applications, building permit applications, purchases, legal work, etc. is carried out in most cases by experienced Company staff.

Accounting

The Company prepares monthly statements for its internal use, and has adopted the practise of advising its shareholders on a quarter-yearly basis.

Income

The income of the Company is derived from the following sources:

(1) Franchise Commissions – Commissions are paid by each franchise operator based on his gross restaurant sales

which includes moneys received from vending machines and service facilities.

(2) Rental Income – In the case where the Company owns its operating sites which are leased to franchise operators a net revenue accrues to the Company after mortgage principal and interest payments. Net revenue also accrues where the Company is the Lessee of operating sites which have subsequently been sublet to franchise operators at a higher rental.

(3) Suppliers' Commissions – The Company earns income in the form of commissions paid by suppliers for the negotiation of volume purchases of restaurant supplies required by franchise operators. Volume purchasing through the Company also results in considerable saving in the cost of restaurant supplies to each franchise operator.

(4) Interest – The Company earns income from the payment of interest at the rate of seven per cent per annum on the chattel mortgages and notes receivable held by the Company.

(5) Sale of franchises.

Management

The Chairman of the Board is Richard Charles Wilfred Mauran who has been associated with the restaurant and food industry for more than fourteen years. Mr. Mauran is the President and principal shareholder of Swiss Chalet Bar B-Q Limited, a restaurant chain operating restaurants in Toronto, Montreal and Buffalo and is Chairman of the Board and a principal shareholder of Grissol Foods Limited which manufactures and distributes melba toast, bread sticks, soup and other food products in Canada, the United States and the West Indies.

The President of the Company is George Bernard Sukornyk, a solicitor who has been associated with the Company as a major shareholder and officer since its inception. Previous to his association with the Company, Mr. Sukornyk was employed for several years in the legal department of a major oil company concerned with land and site acquisitions. Mr. Sukornyk is also Secretary and a principal shareholder of Grissol Foods Limited and Secretary-Treasurer of Swiss Chalet Bar B-Q Limited.

Both Mr. Mauran and Mr. Sukornyk were instrumental in founding Harvey's Foods Limited.

The Secretary-Treasurer of the Company is Edward John Kozak.

The Vice-President of the Company is Donald Webster. Mr. Webster is also director of Seaway Terminals, Toronto, Ontario.

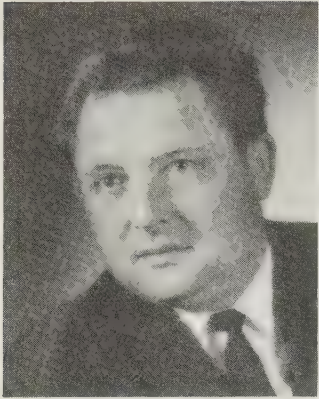
Directors:

Richard C. W. Mauran, Toronto, *Chairman of the Board*
George B. Sukornyk, Toronto, *President*
Donald C. Webster, *Vice-President*
Yves Hudon, Montreal, *President, Grissol Foods Limited*
William P. Ross, Toronto, *Trustee, Toronto School Board*
Marc Boisclair, Montreal, *President, Labrador Acceptance*
David S. Owen, Toronto, *Managing Director,*
Eaton Center Limited

HARVEY'S FOODS LIMITED

FRANCHISE OPERATORS AND THEIR LOCATIONS

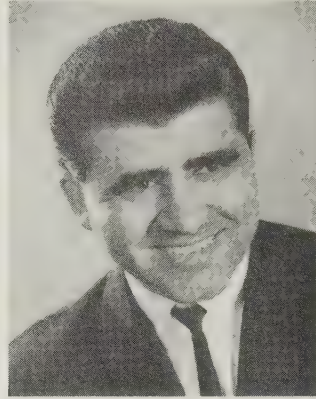
TORONTO



LAMBERT VAN DYK
9471 Yonge St.



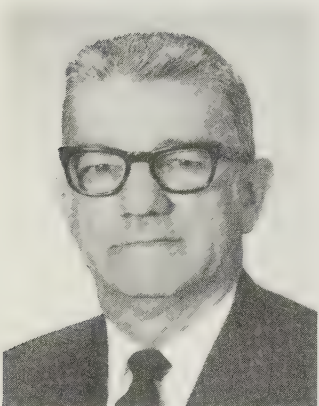
JOHN PIATKA
805 The Queensway



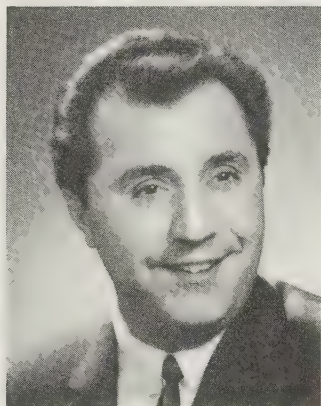
GUS HROUSALAS
3128 Eglinton Ave. E.



ROBERT WILLIAMS
650 Lakeshore Rd. E.



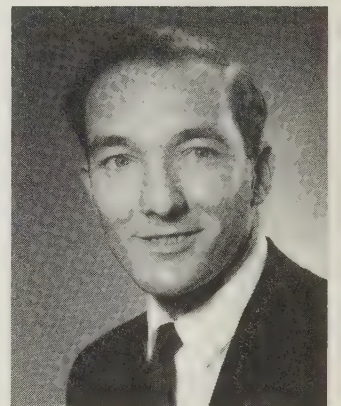
ANTONIN LALONDE
238 Bloor St. W.



ROMEO DEBONIS
1791 Avenue Rd.



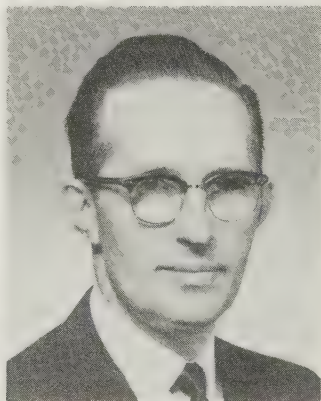
GEORGE WILKES
3520 Danforth Ave.



NESTOR OLYNK
3120 Dufferin St.



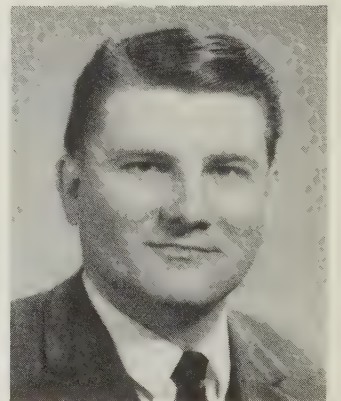
BORIS OLYNYK
228 Queen St. W.



COLIN McDONALD
1500 St. Clair Ave. W.

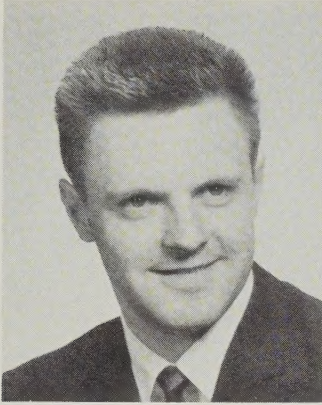


GEORGE DIMOS
778 Yonge St.

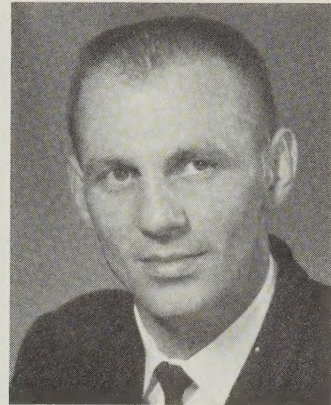


EDWARD DORYK
2029 Jane St.

NIAGARA FALLS

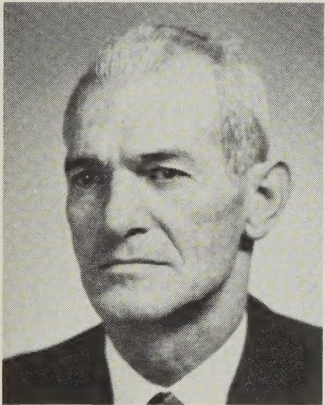


FRED SCHMITT
23 Adelaide St. W.



MIKE SOBIE
Lundy's Lane
(at Depew)

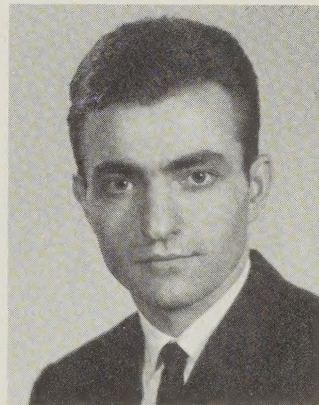
HAMILTON



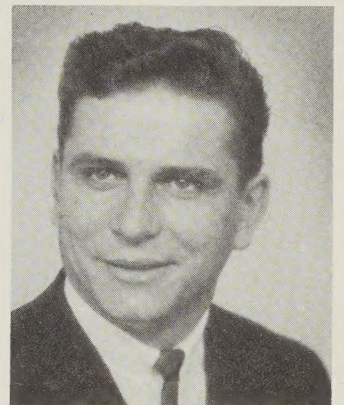
GUIDO SILVI
1014 Barton S. E.



JOHN HAWKINS
1655 Main St. W.

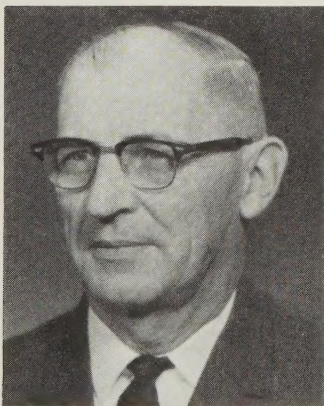


NICK EGGARHOS
34 King St. W.

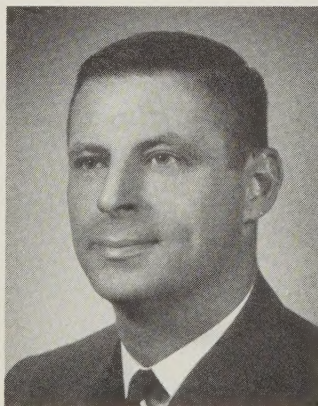


WALTER KMITA
724 Queenston Rd.

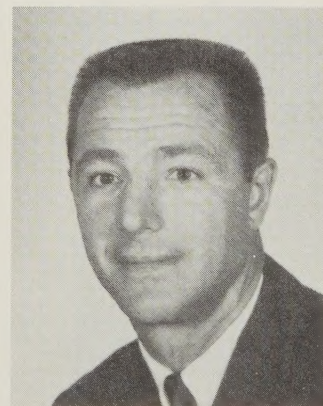
OTTAWA



LEO BRASSARD
797 Richmond Rd.



JOHN WATTS
1339 Bank St.

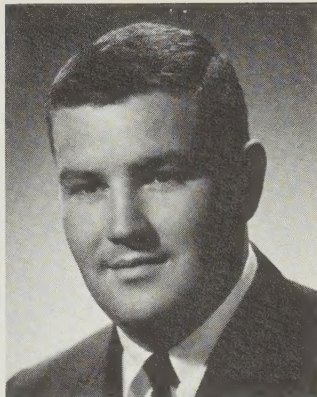


ED STANKIEWICZ
660 Montreal Rd.

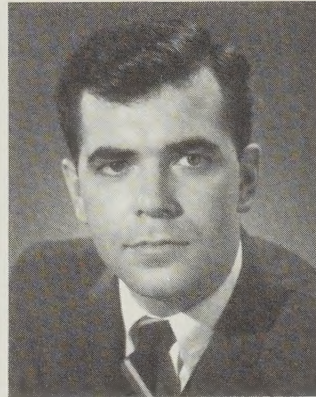
MONTREAL



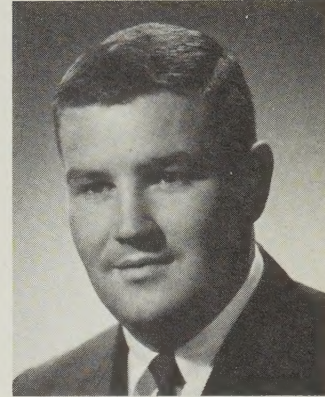
JEAN LALONDE
7100 Sherbrooke St. E.



PIERRE LALONDE
8725 Boul. Pie IX



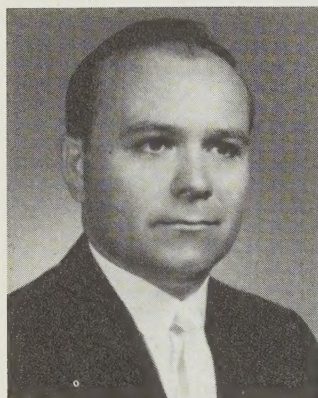
TOM DINEEN
1853 St. Catherine St. W.



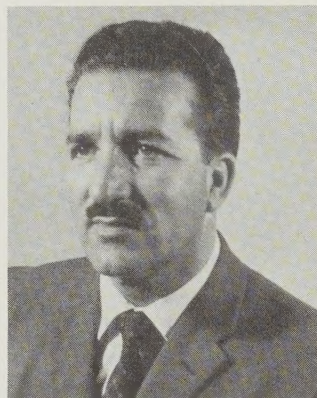
PIERRE LALONDE
470 Curé Labelle

BUFFALO

NEW YORK



SPIROS XENOS
9000 Airlie St.



MARIAN WYSZKOWSKI
6775 Cote des Neiges

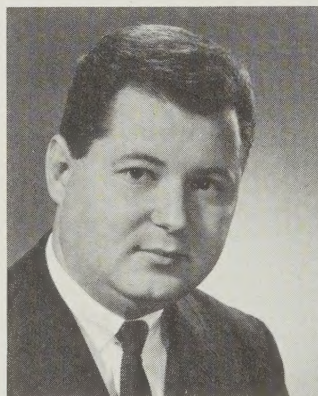


JOHN BURDA
650 Main St.
Buffalo

SUPERVISORY STAFF



EDWARD KOZAK
General Manager



CLAUDE DROLET
Quebec Supervisor



DONALD PILON
Ontario Supervisor

THREE YEAR STATISTICAL COMPARISON

	<u>1966</u>	<u>1965</u>	<u>1964</u>
Number of locations in operation	22	14	7
Number of locations under construction	6		
Net fixed assets	\$2,153,176	\$1,225,306	\$415,578
Gross income	\$ 660,437	\$ 231,369	\$ 75,847
Net earnings before income taxes	\$ 347,699	\$ 88,444	\$ 27,955
Effective tax rate (current and deferred) used in reporting	52%	52%	23%
Preferred dividends paid	\$ 2,686	\$ 2,352	\$ 1,022
Net earnings to common shareholders	\$ 176,292	\$ 51,796	\$ 21,525
Number of shares outstanding	453,225	400,000	220,000
Earnings per share	\$ 0.39	\$ 0.13	\$ 0.10
Equity per share	\$ 1.75	\$ 0.92	\$ 0.11
Equity per share based on reappraisal of land to market value as of March 31, 1966	\$ 2.28	\$ 1.28	\$ 0.25
Return on equity — book	48%	208%	227%

